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S E C R E T SECTION 01 OF 05 KUALA LUMPUR 001059

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FROM AMBASSADOR FOR LIEUTENANT GENERAL UTTERBACK

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SUBJECT: SCENESETTER FOR THE VISIT OF 13TH AIR FORCE  
COMMANDER LIEUTENANT GENERAL UTTERBACK

Classified By: Ambassador Christopher J. LaFleur, reasons 1.4 (b, d).

Summary  
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1. (C) Welcome to Malaysia. Malaysia is important to us because it is a successful, moderate, predominantly Muslim country that, over the longer term, may be able to support us more strongly in places like the Middle East. It is strategically located on the Straits of Malacca, through which one quarter of the world's trade flows, and it borders five of the other nine ASEAN countries. Malaysia is also a good partner in the war on terror. It is our tenth largest trading partner, and many major American companies have invested here. The overall tone in Malaysian-American relations has improved considerably since Abdullah Badawi became Prime Minister in late-2003. Bilateral relations eroded under Abdullah's vituperative predecessor Dr. Mahathir Mohamad, but Abdullah brought with him a friendlier style and an interest in projecting a more moderate image, both for himself and for his country. CT cooperation remains strong. We have increased senior-level exchanges since Abdullah came aboard, for example conducting our first ever Senior Dialogue with the Foreign Ministry at the Assistant Secretary level in May 2005. Malaysia has acceded to the IAEA Additional Protocol, begun drafting export control legislation, and participated as an observer in PSI exercises. Malaysia has played a positive role in helping to stabilize Aceh, Mindanao, and East Timor.

2. (C) Military-to-military cooperation is improving, with 23 US Navy ship visits to Malaysian ports in 2006, up from three in 2003. Malaysia's traditional approach to global issues, which Abdullah has continued albeit at a lower decibel level, remains an impediment to closer bilateral cooperation. Malaysia actively participates in the NAM and the OIC, often adopting distinctly third-world positions on issues of importance to us. Our public affairs environment is also challenging. The Malaysian public is strongly opposed to our policies in the Middle East and the Persian Gulf. A strong "post-colonial overhang" also colors Malaysian attitudes toward the U.S. role in Southeast Asia. With Abdullah we have nevertheless been able to pursue a set of broad common interests, and pragmatism generally rules in bilateral security relations. Your visit will help us further cement military-to-military ties, and we look forward to your arrival. End Summary.

Political/Economic Landscape  
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13. (C) Malaysia has been a difficult political partner in the past. Malaysians nurse strong anti-colonial sentiments. They are fiercely protective of their sovereignty and (among the Muslim Malay majority) resent perceived ill treatment of Islam by the West. Malaysian intellectuals tend to hold a "Euroskeptic" view of U.S. foreign policy in general and like to cast themselves as defenders of "third world" interests. Former Prime Minister Mahathir played on these sentiments to generate political support for himself and his ambitious economic agenda. When he relinquished his post in 2003, he left behind a modernized economy but also strained relations with much of the West. Today, however, Malaysia presents us with important transformational opportunities. In terms of its economic development, educational achievement, public welfare, and political stability, Malaysia stands out among Muslim-majority nations. The Malaysians project a moderate version of Islam, and, over the longer term, could lend additional support to democratic forces in the Middle East and Iraq. We also share strong common East Asian regional interests in stability and prosperity. Malaysian counter-terrorism cooperation is indispensable in defeating Jemaah Islamiyah (JI) in the region. Malaysia's economy is one of the most open, diverse and well-developed economies in the Islamic world and in ASEAN. Malaysia is our tenth largest trading partner, we are Malaysia's number one foreign investor.

#### Bilateral Ties--Improving the Substance

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14. (S) In our bilateral relations, the GOM has begun matching improvements in tone with improvements in substance. PM Abdullah has openly espoused improved relations with the U.S., and values the good rapport he established in his meetings with the President. Last summer, Secretary Rice met

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with PM Abdullah and FM Hamid at the ASEAN Regional Forum and President Bush met with PM Abdullah on the sidelines of the UNGA in September. Last year the GOM acceded to our long-standing urging and signed the IAEA Additional Protocol; the Malaysians have also started sending observers to recent PSI exercises; and the GOM is preparing to implement an export control regime.

15. (C) Although they keep the details closely held, the GOM has been a key partner on counterterrorism. Early round-ups in 2001-2002 of scores of Jemaah Islamiyah (JI) suspects helped ensure there have been no terrorist attacks here. However, Malaysian extremists, as illustrated by a series of arrests in Malaysia's Borneo states last year, still have the capability to support JI operations elsewhere. Two Malaysian citizens were among the 14 high value U.S. detainees transferred to Guantanamo last year. In 2003, Malaysia established the Southeast Asia Regional Center for Counterterrorism (SEARCCT), which runs a full schedule of multilateral training courses, many conducted with U.S. support. We and our colleagues in Manila, Jakarta and other Southeast Asian posts have embarked on a regional effort to strengthen these countries' border controls. In cooperation with GOM, we undertook a Border Control Assessment Initiative (BCAI) in eastern Sabah with participants from the Department of State, Homeland Security, USCG and JIATF West. The heads of the Embassy's Defense Attach and Defense Cooperation offices attended the field portion of this assessment.

#### Security Cooperation

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16. (C) The strong state of U.S.-Malaysia bilateral defense ties finds expression in numerous high level visits. The Chairman of the Joint Chiefs of Staff, General Peter Pace, recently concluded in May a very successful visit to Malaysia which included calls on both the Prime Minister and the Deputy Prime Minister. General Pace's visit came on the heels of former Malaysian Armed Forces (MAF) Chief Admiral

Anwar's visit to the U.S. in October; the Mid Year BITACG review in November; and the Chiefs of Defense Conference in November that was hosted jointly for the first time by PACOM-MAF. Anwar retired in March and was replaced by General Abdul Aziz bin Hj Zainal. Changes in the military leadership have not adversely impacted mil-mil cooperation between the United States and Malaysia which grew in recent years under Anwar's leadership. Ship visits have significantly increased and received greater visibility and security-related training sponsored by the United States for military and law enforcement participants has also been on the rise. Although the possibility of a terrorist threat to the Malacca Strait has received the bulk of international attention, the fact is that although pirate attacks illustrate vulnerabilities, we have never identified any terrorist activities in the Straits. Conversely, terrorists operate regularly in the Sulu/Sulawesi Sea corridor and we are focusing increasingly on this theater.

¶7. (C) Malaysia has had limited success in initiating the "Eyes in the Sky" program, a regional aerial monitoring of the Straits of Malacca. However, a reduction in incidents of piracy and improved risk assessment by Lloyds of London have lowered the program's priority in the GOM and it moves cautiously forward in its multilateral efforts in this area. Malaysia concluded a new 505 agreement last year that will allow us to utilize 1206 funds to put CT equipment into the vulnerable Sulu and Sulawesi Seas border areas of Sabah where terrorists are known to transit. We are awaiting final approval of the 1206 proposals made in conjunction with regional embassies. Malaysia has not signed either a PSI or Article 98 agreement. In general, Malaysia remains open to bilateral cooperation that strengthens its own defense capacity, but the GOM will quickly raise the principles of sovereignty and territorial integrity when discussing international security regimes and coordination, such as for the Straits of Malacca. Malaysia's only multilateral defense arrangement is the Five Power Defense Pact with the UK, Singapore, Australia and New Zealand.

¶8. (S) We have been pleased by the overwhelmingly positive media coverage our ship visits have received, in contrast to the quiet arrivals of past years. The flip side to this is that our visits are getting increased attention from ideological foes on the Islamic right, and from some mainstream politicians pandering to the conservative Islamic vote. Deputy Prime Minister Najib has stoutly defended our

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cooperation before Parliament, and we do not see that our engagement is under threat. However, we do need to be cognizant of our increased military visibility and sensitive to GOM concerns, particularly with high tensions in the Middle East. The GOM cited concerns about the growing visibility of training in eastern Sabah when it recently decided to review on a case by case basis proposed training events involving foreign military forces in that region.

¶9. (C) Malaysia has an excellent record in UN Peacekeeping Operations. They have committed forces to various UN operations since the early 1960s. Currently, 360 Malaysian troops are participating in UNIFIL (Lebanon) and the GOM has offered a contingent of up to 1000 soldiers. Malaysia has developed a Peacekeeping Training Center and updated the facility in recent years to provide specialized training for the troops it sends into the field as well as personnel from foreign militaries. The USG has obligated almost 1.1 million dollars for GPOI funds that will focus on a developing a multilateral peacekeeping operations exercise in 2009.

¶10. (C) Malaysia maintains friendly relations with Iran, including a growing commercial relationship. Malaysia has lent rhetorical support to Iran's right to develop "peaceful" nuclear technology but has also consistently maintained that it will implement UN decisions on Iran, including sanctions regimes. After the latest UNSC resolution, Prime Minister

Abdullah called clearly and publicly for Iran to respect UNSC resolutions on its nuclear program. Recent actions by Malaysian firms have generated concerns of violations of U.S. laws and the Wassenaar Arrangement and a Malaysian company was among those recently sanctioned under the Iran Syria Non-proliferation Act (ISNA) for its role in shipping proscribed materials to Iran. The activities of local firms doing business with Iran need to be closely monitored, and we continue to request Malaysia's assistance in investigating suspicious activity. One Malaysian firm has signed an agreement for a multi-billion dollar investment to develop enormous natural gas fields in Iran, a deal which has drawn condemnation from U.S. congressional voices in light of the Iran Sanctions Act.

#### Recent Mil-Mil Talks

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¶11. (C) In May 2007, Malaysia hosted the annual Bilateral Training and Consultative Group (BITACG) meeting in Port Dickson. BITACG is a forum used to promote and strengthen mil-mil relations through discussions of bilateral exercises, intelligence exchanges, C4 issues, logistics engagement, and defense cooperation. Malaysia has recently agreed to co-host an annual conference for military intelligence chiefs in the Asia-Pacific region.

¶12. (SBU) Malaysia has put forth a regional Humanitarian Assistance/Disaster Relief (HA/DR) Center initiative that is promising, and has wide support in the government. The MAF has identified Subang Airfield as a likely choice for the center which would be administered under UN auspices. Subang, the former international airport, served as the focal point for Malaysia's tsunami and Yogyakarta relief efforts. The facilities are modern and are available. Malaysia is an ideal location for a regional HA/DR center--centrally located, modern, stable, and Islamic. Malaysia is no further than two hours by air to almost any country in the region. Avian influenza preparedness is another promising area of bilateral cooperation. Last September, PACAF conducted a successful AI SMEE with the Ministry of Health. The U.S. team recommended changing Malaysia's AI preparedness rating from High risk to Partner Nation. Building upon this success, the ODC has proposed a regional workshop on Bio-terrorism Defense-Strategic and Tactical Planning for spring 2007 with PACAF and the U.S. has provided personal protection gear and laboratory analysis equipment to the Malaysian government. Malaysia will co-host this multilateral/regional event as it has demonstrated capacity as a regional partner in preparing for the threat of avian/pandemic influenza. PACOM's efforts in furthering Malaysia's capacity as a regional responder are critical to the country teams in this regard.

#### Malaysian Foreign Policy and U.S. -- A Mixed Bag

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¶13. (S) Abdullah champions his moderate vision of Islam -- albeit with limited impact to date -- within the Organization

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of the Islamic Conference (OIC), which Malaysia will continue to chair through early 2008. Malaysia supports Abbas, the Palestinian Authority, the MEPP roadmap, and Iraqi reconstruction. However, the Malaysian public remains highly critical of our Middle East policies, and the GOM is consistently critical of Israel, with which it has no diplomatic relations.

¶14. (S) Malaysia surrendered the chairmanship of the Non-Aligned Movement in September last year, but as past chair remains a member of the leadership troika. During Malaysia's tenure it supported NAM positions on the Iranian nuclear program, and engaged with such problematic international players as Zimbabwe, Cuba and Venezuela. The GOM nevertheless tells us that they argued for moderate

approaches with then the NAM on such issues as Iran. Abdullah hosted Hugo Chavez for a visit to Malaysia last August, and assured Chavez of his support for Venezuela's election to the Latin American chair on the UN Security Council. This was followed by a well publicized visit to Venezuela by Abdullah in December to explore stronger commercial ties.

¶15. (C) The GOM issued a public condemnation of North Korea's nuclear test and publicly supports UNSCR 1718, although it has no enthusiasm for sanctions. They repeatedly called for a return to the six-party DPRK nuclear talks and criticized North Korea's truculence. The Malaysian government is publicly supportive of China's "peaceful rise", welcoming in particular China's growing imports of Malaysian products, despite lingering suspicions among some officials of China's long-term intentions.

¶16. (C) Malaysia has played an increasingly prominent role in addressing conflicts facing its Southeast Asian neighbors. Last year Malaysia completed its earlier peacekeeping mission to East Timor following the armed uprising that led to deployment of Australian, Malaysian and Portuguese forces, while a new deployment of Malaysian police personnel is in East Timor now. The GOM has also taken a leading role as the facilitator for the southern Philippines peace process. Malaysia's sympathies for the Muslim Moro population and geopolitical calculations vis-a-vis the Philippines do not make it an honest broker, but Malaysia has nonetheless hosted negotiations and contributed observers to the International Monitoring Team in the southern Philippines. Geography and cross-border ethnic bonds make Malaysia a de facto safe haven for southern Thai insurgents, though the GOM has not encouraged this. The Malaysians have urged the Thai government to resolve peacefully the unrest in Southern Thailand, with its ethnic Malay Muslim population, and Malaysia and Thailand are cooperating on new border security measures. Malaysia is especially chagrined by Burma's intransigence because it championed Burma's entry into ASEAN. Having publicly criticized the Burmese regime, however, FM Hamid appears to be at a loss as to what to do next. Malaysia spoke out against the UNSC draft resolution on Burma, which we championed before the UN Security Council in January, and firmly backed the ASEAN argument that Burma was not a threat to international peace and security.

#### Malaysia's Moderate Islam

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¶17. (C) Malaysia, with its entrenched majority coalition, is hardly an ideal democracy, but it can still serve as a reference point for evolving Islamic societies elsewhere. The Malay people, long known for their social tolerance, have become more religiously conservative in recent years, but Prime Minister Abdullah has enshrined the Malay political elite's continued preference for moderation in his "Islam Hadhari" or "Civilizational Islam" policy. Abdullah's key message is that Islam can become a leading world civilization again only if it embraces economic development, education, innovation and tolerance. Observers are wary of a longer-term trend toward greater divisions between the Muslim Malay majority and other ethnic groups, and religious minorities increasingly complain of growing Islamization. Nevertheless, Malaysia has kept inter-ethnic tensions well under control by regional and world standards for almost 40 years.

#### Trafficking in Persons creates a setback

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¶18. (C) On June 12, the State Department determined that

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Malaysia did not meet the minimum standards for combating trafficking in persons; resulting in a Tier 3 ranking in the annual report to Congress. Malaysia has been given 60 days

to show significant efforts to come into compliance with the U.S. Trafficking Victims Protection Act or face possible sanctions for non-trade related and non-humanitarian assistance. We are working diligently with the GOM to address these issues but draw your attention to the possibility of sanctions which could potentially affect our mil-mil exchanges and training assistance.  
LAFLEUR